

**Water Distributors Company, Inc.
Wister, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended January 31, 2023

Audited by

**BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

Water Distributors Company, Inc.
Wister, Oklahoma
Board of Directors
January 31, 2023

BOARD OF DIRECTORS

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Wilburn Waits

Vice Chairman

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Water Distributors Company, Inc.
Wister, Oklahoma
January 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Water Distributors, Inc.
Wister, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Water Distributors, Inc., Wister, Oklahoma (the District), as of and for the year ended January 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of January 31, 2023, and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

The District has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The prior year “memorandum only” comparative information and the supplemental information on page 16 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2023 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

April 21, 2023



BLED SOE, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Water Distributors, Inc.
Wister, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Water Distributors, Inc., Wister, Oklahoma (the District), as of and for the year ended January 31, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 21, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. We identified no deficiencies in the internal controls that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

April 21, 2023

WATER DISTRIBUTORS COMPANY, INC.
Disposition of Prior Year's Significant Deficiencies
January 31, 2023

There were no prior year significant deficiencies.

WATER DISTRIBUTORS COMPANY, INC.
Schedule of Audit Results
January 31, 2023

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

NONE

WATER DISTRIBUTORS COMPANY, INC.
Statement of Net Position
January 31, 2023

	<u>Jan. 31, 2023</u>	<u>-Memorandum- -Only- Jan. 31, 2022</u>
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$ 77,739	\$ 150,750
Investments	124,303	123,778
Accounts receivable	303,538	218,478
Inventory of supplies	67,499	66,785
Total current assets	573,079	559,791
Restricted Assets:		
Reserve account - renters deposits	20,982	19,738
Capital Assets:		
Building, plant and water system	3,224,876	3,224,876
Vehicles and equipment	455,600	427,955
Total capital assets	3,680,476	3,652,831
Less: accumulated depreciation	(2,848,980)	(2,792,468)
Total capital assets (net)	831,496	860,363
Total Assets	\$ 1,425,557	\$ 1,439,892
 <u>LIABILITIES:</u>		
Wages payable	\$ 11,403	\$ 11,396
Refundable deposits	20,982	19,738
Total Liabilities	32,385	31,134
 <u>NET POSITION:</u>		
Net investment in capital assets	831,496	860,363
Unrestricted assets	561,676	548,395
Total Net Position	1,393,172	1,408,758
Total Liabilities and Net Position	\$ 1,425,557	\$ 1,439,892

The accompanying notes to the financial statements are an integral part of this statement

WATER DISTRIBUTORS COMPANY, INC.
Statement of Revenue, Expenses and Changes in Net Position
For The Year Ended January 31, 2023

	2022-23	-Memorandum- -Only- 2021-22
Operating Revenues:		
Water sales	\$ 1,114,031	\$ 1,010,345
Meter sets	6,175	17,530
Other fees	2,298	212
Total revenue from operations	1,122,504	1,028,087
Operating Expenses:		
Water purchases	574,064	525,995
Salaries and taxes	251,585	256,449
Professional fees	8,380	8,170
Utilities	38,820	33,537
Insurance	73,972	66,903
Repairs & maintenance	10,563	7,151
Operating supplies	33,524	37,228
Auto expense	20,032	21,507
Office materials & supplies	16,369	17,753
Depreciation	56,512	52,301
Permits and fees	14,889	6,627
Contracted labor	33,004	32,377
Miscellaneous	7,028	4,064
Total expenses from operations	1,138,742	1,070,062
Operating Income (Loss)	(16,238)	(41,975)
Non-Operating Revenues (Expenses):		
Interest income	652	952
Insurance reimbursements	0	13,782
Total non-operating revenues (expenses)	652	14,734
Change in Net Position	(15,586)	(27,241)
Total Net Position, beginning of period	1,408,758	1,435,999
Total Net Position, end of period	\$ 1,393,172	\$ 1,408,758

The accompanying notes to the financial statements are an integral part of this statement

WATER DISTRIBUTORS COMPANY, INC.
Statement of Cash Flows
For the Year Ended January 31, 2023

	2022-23	-Memorandum- -Only- 2021-22
Cash Flows from Operating Activities:		
Receipts from customers	\$ 1,037,444	\$ 1,014,362
Payments to employees	(251,583)	(256,025)
Payments to vendors	(830,110)	(759,187)
Net Cash Provided by (used in) Operating Activities	(44,249)	(850)
Cash Flows from Capital and Related Financing Activities:		
Sale (purchase) of capital assets	(27,645)	(15,000)
Insurance reimbursements	0	13,782
Net Cash Provided by (used in) Capital and Related Financing Activities	(27,645)	(1,218)
Cash Flows from Investing Activities:		
Interest earned on investments	652	952
Net Increase (Decrease) in Cash	(71,242)	(1,116)
Cash and cash equivalents, beginning of period	294,266	295,382
Cash and cash equivalents, end of period	\$ 223,024	\$ 294,266
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ (16,238)	\$ (41,975)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	56,512	52,301
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(85,060)	(13,725)
(Increase) decrease in supplies inventory	(714)	(1,843)
Increase (decrease) in refundable deposits	1,244	90
Increase (decrease) in wages payable	7	4,302
Net cash provided by operating activities	\$ (44,249)	\$ (850)

The accompanying notes to the financial statements are an integral part of this statement

WATER DISTRIBUTORS COMPANY, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 31, 2023

Note A – Summary of Significant Accounting Policies

Organization

Water Distributors, Inc. (the District) is an Oklahoma water district organized under Title 82 of Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, to provide water service to rural residents of LeFlore County, Oklahoma. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes.

The District is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges. The District purchases water from the Poteau Valley Improvement Authority, the City of Heavener and the Town of Red Oak.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and expenses are recognized when incurred. This policy is accordance with generally accepted accounting principles.

Cash

The District's accounts are with The Community State Bank in Wister, Oklahoma, and at January 31st are detailed as follows:

	January 31,	
	2023	2022
The Community State Bank, Wister, Oklahoma		
Depreciation fund - unrestricted	\$ 10,109	29,403
Renter's deposit fund - restricted	20,982	19,738
Revenue fund - unrestricted	67,630	121,347
Total	\$ 98,721	170,488

Investments

All investments are recorded at cost. Investments at January 31st are detailed as follows:

	January 31,	
	2023	2022
The Community State Bank, Wister, Oklahoma		
Certificates of deposit	\$ 124,303	123,778

WATER DISTRIBUTORS COMPANY, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 31, 2023

Note A – Summary of Significant Accounting Policies – cont’d

The District’s investment policies are governed by state statutes. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks and trust companies; and warrants, bonds or judgments of the District.

Cash and investments – The District’s cash deposits and investments at January 31, 2023 are categorized to give an indication of the level of risk assumed by the Company at year-end. All the cash and investments on hand were collateralized by the \$250,000 of FDIC coverage. The District also had additional collateral pledged on hand at the bank.

Capital Assets

Capital assets are items purchased in excess of \$1,000, with a useful life over two years, and are valued at cost, and depreciation is computed by use of the straight-line method. The estimated useful lives of these assets are detailed as follows:

Plant and equipment	10-50 years
Vehicles	5 years
Office equipment	5 years
Water lines	40 years

The capital asset information for the District is shown below:

	1/31/2022 Amount	Additions	Deletions	1/31/2023 Amount
Plant and water sys.	\$ 3,224,876	-	-	3,224,876
Vehicles and equip.	427,955	27,645	-	455,600
Total Capital Assets	3,637,831	27,645	-	3,680,476
Less: Accumulated Depreciation	(2,792,468)	(56,512)	-	(2,848,980)
Total	\$ 845,363	(28,867)	-	831,496

Inventory

Inventories are valued at the lower of cost or market, using the FIFO method (first in, first out).

WATER DISTRIBUTORS COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2023

Note A – Summary of Significant Accounting Policies – cont’d

Federal Income Taxes

The District is exempt from federal and state income taxes.

Memorandum Totals

Prior year “memorandum only” financial statement information is shown for comparative purposes only.

Pending Litigation

As of January 31, 2023 the District had no pending litigation.

Subsequent Events

Management has evaluated subsequent events through April 21, 2023, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

Note B – Long-Term Debt

There was no new debt incurred in the 2022-23 fiscal year, and no outstanding debt from prior years.

WATER DISTRIBUTORS INC
Schedule of Water Rates and Customers
-Unaudited Information-
January 31, 2023

Water Rates

0 – 1,000 gallons	=	\$35.00 minimum bill
Over 1,000 gallons	=	\$5.00 per 1,000 gallons

Customers

The District had 1,751 customers at the close of the fiscal year.

Current new membership fee is \$5,000 for a new meter setup, a 1” meter is \$6,000.